

STATEWIDE TOLL OPERATION CONTRACTS

BRIEFING PAPER

Prepared for the
March 2008 TRANSPORTATION COMMISSION MEETING

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Chief Engineer

PURPOSE

The purpose of this agenda item is to provide an overview on the recently concluded negotiation process undertaken by the Department with its toll operations vendor for the Tacoma Narrows Bridge and SR 167 HOT Lanes; TransCore. Specific areas covered in this item include the following:

1. Review of the existing TNB Toll Operations Contract and discussion on the need for renegotiating the contract.
2. Discuss the purpose and contracting mechanism for combining the existing statewide toll operations back office functions for SR 167 HOT Lanes.
3. Review terms of agreement including level of service assumptions, contract structure, term, cost and budget implications.

OUTCOME

This agenda item is informational, as such; no official action is required by the Commission.

BACKGROUND

The initial goal of the *Good To Go!* program was based on establishing a minimum of 25,000 accounts and distributing 50,000 transponders. Meeting this goal was essential to insure the smooth flow of traffic on the opening of the new Tacoma Narrows Bridge and the commencement of toll operations.

Early discussions with industry experts indicated that these goals were unprecedented and ambitious. It was unknown at the time whether the Legislature would be able to provide a subsidy that would enable the Transportation Commission to offer discounts for *Good To Go!* customers. These were the known assumptions at the time the contract was negotiated in 2005. As a result of these assumptions, it was determined that a contract structure that included both a monthly fixed-fee and variable-fee would provide the best mechanism to balance cost and risk.

When the Transportation Commission set a discounted rate of \$1.75 for *Good To Go!* customers it provided a tremendous jump start to the program, generating a four-fold increase in the number of accounts and transponders over what had been anticipated. With a variable-fee contract that included fees based on the number of accounts, electronic transactions and the fulfillment of transponders, it increased startup costs by \$5 million over the anticipated and budgeted amount.

DISCUSSION

The *Good To Go* program's success on the TNB and the planned opening of the SR 167 HOT lanes gave WSDOT the opportunity to explore changes in the toll operations contract and look for efficiencies in service and operations. WSDOT and its toll operations vendor TransCore met over a two-month period to negotiate new terms that will lead to cost savings.

On February 22, 2008, WSDOT and TransCore reached an agreement in principle to amend the existing TNB Toll Operations contract and to establish a related but separate contract for SR 167 HOT Lanes Toll Operations. While these are being established as separate contracts, both are based on the concept of a single back office that will handle all toll transactions and customer service operations for both facilities.

The most viable contract option is a new amended version with a single monthly fixed fee that will replace both the fixed and variable fees that are currently paid to TransCore. Under such a contract, WSDOT will pay a monthly fee and stipulated limited specific items which will be billed as reimbursable costs. This amended contract is based on the negotiated elements of level of service, cost and term. Details are shown below.

Level of Service Assumptions:

- Customer Service Center hours of operation have been reduced. Hours of operation for call-in phone service have been reduced from 12 hours a day seven days a week to 8 hours a day Monday through Friday and 4 hours a day on Saturday. Walk-in service has been reduced from 12 hours a day Monday through Friday and 4 hours a day on Saturday to 8 hours a day Monday through Friday and 4 hours a day on Saturday.
- The mobile Customer Service Center will be available for two setups per year for TNB and 10 setups for SR 167 HOT lanes, as directed by WSDOT. Costs for these setups will be included in the monthly fixed-fee.
- The Tacoma CSC shall remain open through the startup of the SR 167 HOT Lanes (June 30, 2008). The cost of this service shall be paid by the SR 167 HOT Lanes operations starting April 1, 2008.
- Postage and printing is included in the monthly fixed-fee.
- Eliminate the contracted security requirement for the Administration Building.
- Eliminate the performance bond requirement.

Cost:

- The proposed monthly fee is \$565,666 down from an average existing fee of \$737,000 for the first seven months of operations of the Tacoma Narrows Bridge. For this fixed price, TransCore will operate and manage all aspects of the TNB toll system as defined in the contract, including in-lane operations, violations processing, customer service, maintenance, accounting and financial reconciliation.
- The proposed monthly fee is \$48,733 for the SR 167 HOT lanes. For this fixed price, TransCore will provide all back office and in-lane operations, including customer service, financial reconciliation, and IT support.

Term:

- The initial term of the contract is extended from January 31, 2011 to June 30, 2012. Extension of term options remains in place subject to IRS limitations. In addition, a provision for an annual evaluation will be conducted by WSDOT and TransCore. This evaluation will include overall operations, operational performance standards, costs, and incentives.
- The termination and severance clause in the TNB operation contract will remain in place and will also be included in the SR 167 HOT Lanes contract. However, a 6 month notification by WSDOT will be included to provide adequate notice to TransCore.

This newly-negotiated contract is expected to save WSDOT a total of \$5.6 million over the life of the TNB contract. It will save \$1 million in the current biennium. This savings can be combined with the \$3.5 million reductions already proposed in the Governor's supplemental budget request. Moreover, the budget for SR 167 HOT lanes is \$99,000 less than projected for the biennium.

The following table provides an overview of the fixed and variable fees from the existing contract (this table is taken from Exhibit F of the Toll System Operations Agreement).

Existing Contract (Year 1 Operations Following Toll Commencement)

Items	Approx. Number	Units	Unit Price	Extended Price
Fixed Fee:				
Base Monthly Charge	12	Months	\$399,864	\$4,798,368
Variable Fee:				
Account Maintenance Fee	318,442	Per Account (Per Month)	\$1.42	\$452,187
ETC Transaction Fee	7,077,375	Per Event	\$0.052	\$368,024
Image Review Fee	433,979	Per Event	\$0.32	\$138,873
Video Toll Fee	175,951	Per Event	\$0.11	\$19,095
Paper Statement and Notice Fee	47,766	Per Event	\$0.61	\$29,137
Violation Notice Fee	199,630	Per Event	\$0.89	\$177,671
Transponder Fulfillment Fee	20,366	Per Event	\$11.75	\$238,949
Variable Labor		Per Budget	Variable	\$359,053
Bonding		Lump Sum	\$75,000	\$75,000
Total (Year 1 Operations)				\$6,656,357

The following table outlines the monthly invoiced amount from TransCore for toll operations and management on the Tacoma Narrows Bridge, as well as the corresponding account levels for each month.

Actual Monthly Payments to TransCore Under the Existing TNB Contract

Month	Actual Payment	# of New Accounts	Total # of Accounts
July 2007	\$1,658,789	32,698	67,218
August 2007	\$1,127,441	9,956	78,589
September 2007	\$829,670	6,666	85,255
October 2007	\$728,495	2,352	87,439
November 2007	\$715,667	1,767	89,206
December 2007	\$706,265	1,938	91,212
January 2007	\$703,583	1,544	92,688

The actual monthly payments to TransCore during July and August were high due to the large number of new accounts being opened. Payment somewhat normalized beginning in September, with an average monthly cost over the last five months of \$737,000. Under the new contract flat fee of \$565,666 per month, it is estimated toll payers will save approximately \$150,000 per month.

For further information, contact:

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Ted Trepanier, Co-Director, Maintenance and Operations at (360) 705-7280.



FOR IMMEDIATE RELEASE

Feb. 25, 2008

Contact: Janet Matkin, Tolls Communication Manager,
(253) 534-4660 Cell phone - (253) 350-9516

WSDOT Negotiates New Contract with Toll Operations Vendor

GIG HARBOR – Tacoma Narrows Bridge toll payers will save \$5.6 million in toll operations fees over the next four years and more than \$1 million in savings this biennium under the new terms of a contract negotiated by WSDOT and its tolls operator and manager, TransCore.

WSDOT's negotiating team focused on identifying efficiencies in service and operations that would lead to ongoing cost savings. The result is a new amended Tacoma Narrows Bridge contract with a single monthly fixed fee of \$565,666 that will replace the fixed and variable fee structure currently in place – a savings of nearly \$150,000 a month.

"The Tacoma Narrows Bridge was built on time, under budget and now WSDOT is continuing to save Washington taxpayers and toll payers money," said Gov. Chris Gregoire. "I'm pleased that WSDOT has increased efficiencies and cut costs."

In addition, a second contract provides for a monthly fixed fee of \$48,733 for all back-office and in-lane operations for the SR 167 HOT lanes pilot project scheduled to open this spring.

"This is yet one more step in our fine-tuning of toll operations for the state of Washington," said Craig Stone, WSDOT Urban Corridors Administrator. "In entering these negotiations, we were seeking the right balance between appropriate service levels and good stewardship of toll payers' money. TransCore has demonstrated a commitment to tolling in Washington state and WSDOT appreciates its willingness to help define new contract terms that really are a big win for Washington toll payers."

The cost reduction includes the "right-sizing" of customer service staffing to better reflect current activity levels. The new contract also eliminates variable fees associated with each Good To Go! account and instead institutes a flat fee not tied to account levels. This was an important factor driving re-negotiation, since the four-fold success of the Good To Go! program led to \$5 million more in variable fees than anticipated during the first six months of operation.

With this proposed contract structure, the length of the TNB contract is extended from Jan 31, 2011 to June 30, 2012, to coincide with the length of the SR 167 HOT lanes pilot project. WSDOT continues to hold the contractor to a high level of accuracy in tolling operations, with an overall accuracy standard of no less than 99.5 percent.

Information on these new contract terms will be presented to the public at Tuesday night's Citizen Advisory Committee meeting scheduled from 5 to 7 p.m. at the Gig Harbor Civic Center.

For more information on tolling in Washington state, visit www.wsdot.wa.gov/operations/tolling.

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Statewide Tolling Operations Contracts

**for the
Tacoma Narrows Bridge
and SR 167 HOT Lanes**

Information Packet

February 2008



**Washington State
Department of Transportation**

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Overview

Toll Operations & Maintenance Overview

Background

The Tacoma Narrows Bridge (TNB) opened to much fanfare and free-flowing traffic seven months ago on July 16, 2007. The introduction of electronic tolling for the first time in Washington state has been among the many successes connected with the new bridge. The State's next tolling operation, the SR 167 HOT Lanes Pilot Project, is scheduled to open in spring 2008.

WSDOT toll operations is still in the fine-tuning stages, focused on refining the budget, staffing, and service levels. This stage is necessary, since many of the original assumptions for the Tacoma Narrows Bridge and the SR 167 HOT lanes were based on toll programs in other parts of the country and actual experience varies from those original assumptions.

Governor's Supplemental Budget Request

Using those early projections as our starting point, WSDOT has been fine-tuning the budget to reflect the right balance between adequate oversight and good stewardship of toll payers' money. As a result, the Governor's supplemental budget request for the next biennium calls for over \$3.5 million in reductions in WSDOT staffing, consultant fees, and contracts that are paid for with Tacoma Narrows Bridge tolls.

These cuts help offset an increase in costs associated with the success of the *Good To Go!* electronic tolling program that led to a little over \$5 million in additional costs for order fulfillment and account maintenance.

Renegotiation of TransCore Contract

Good To Go!'s success on the TNB and the planned opening of the SR 167 HOT lanes gave WSDOT the opportunity to explore changes in the toll operations contract and look for efficiencies in service and operations. WSDOT and its toll operations vendor TransCore have been meeting over the last two months to negotiate new terms that will lead to cost savings.

The most viable option is a new amended contract with a single monthly fixed fee that will replace both the fixed and variable fees that are currently paid to TransCore. Under such a contract, WSDOT will pay a monthly fee and stipulated limited specific items which will be billed as reimbursable costs.

The proposed monthly fee is \$565,666 for the Tacoma Narrows Bridge. For this fixed price, TransCore will operate and manage all aspects of the TNB toll system as defined in the contract, including in-lane operations, violations processing, customer service, maintenance, accounting and financial reconciliation.

The proposed monthly fee is \$48,733 for the SR 167 HOT lanes. For this fixed price, TransCore will provide all back office and in-lane operations, including customer service, financial reconciliation, and IT support.

In addition, WSDOT will pay direct reimbursable cost items, including replacing and installing capital toll system equipment and significant system enhancements. For the SR 167 HOT lanes project, WSDOT has allocated costs for additional customer-service related tasks, if deemed necessary.

Moreover, WSDOT is proposing to maintain a 3% yearly contingency fund that would ensure adequate funds for unforeseen costs associated with the operations contracts.

This contract structure will provide for an integrated back office approach, while accounting for the proper segregation of funds and cost allocation between the two projects. With this proposed contract change, the length of the TNB contract is extended from January 31, 2011 to June 30, 2012, to coincide with the length of the SR 167 Pilot project.

This newly negotiated contract is expected to save WSDOT a total of \$5.6 million over the life of the TNB contract when compared to the Governor's supplemental budget request. It will save \$1 million in the current biennium. This savings can be combined with the \$3.5 million reductions already proposed in the Governor's supplemental budget request. Moreover, the budget for SR 167 HOT lanes is \$99,000 less than projected for the biennium.

Contents of Information Packet

This information packet was developed to provide the background and history of these projects and to help answer questions regarding the startup of toll operations. Specifically, this packet compares the TNB enacted budget with the supplemental budget, including the reductions brought about by contract negotiations and administrative savings. The comparison is made at both the contract level and the operations and maintenance level. This packet also includes a comprehensive Q&A that highlights the reasoning behind the Governor's Supplemental Budget, answers questions regarding current operations, and provides background on the contracts.

Performance Measures

As WSDOT moves forward in this evaluation of toll operations, a priority must be placed on balancing the needs of cost, customer service, and statewide interoperability. WSDOT is holding the contractor, TransCore, accountable for a high level of accuracy in tolling operations. TransCore is required to successfully pass Performance Guarantee Acceptance tests under normal tolling and live operating conditions within the first six months of tolling operations. The tests began for the TNB on November 1, 2007 and concluded 60 days later on December 31, 2007. Results are currently being analyzed by WSDOT. Similar tests will be conducted on the SR 167 HOT lanes project during the first six months of tolling operations.

These tests specify a high level of accuracy in electronic toll collection, vehicle classification, violation imagery, lane availability, and customer service center computer system availability. The contracts call for an accuracy within the overall tolling system that is no less than 99.5%. Follow-up tests are required at least once a year. However, TransCore is allowed to perform more at its discretion.

In addition, both the TNB toll collection and accounting system (TCAAS) and toll systems operating (TSO) agreements include accuracy and availability performance guarantees that are required to be performed on an annual basis. There are a total of 29 targets that WSDOT will track, including:

- Handling 80% of inbound phones calls to the service center in 30 seconds;
- Keeping the number of calls abandoned at 3% or less;
- Fulfilling requests for new or replacement transponders within three days;
- Processing 98% of license plate data from the video-toll system and sending to the Department of Licensing within 2 business days;
- Correctly entering 99.9% of all license plate data on the first review.

These and other contractual measures will be used by WSDOT to evaluate tolling operations through the remainder of the contracts with TransCore.

Letters of Principle Agreements

**Agreement in Principle
Between
WSDOT and TransCore
Regarding
Tacoma Narrows Bridge Toll System Operations
February 2008**

It is recognized that both parties are committed to the successful long-term operations of the Tacoma Narrows Bridge Toll System. Furthermore, it is recognized that while the initial startup costs have been high due to the four-fold increase in *Good to Go!* accounts, staffing needs and costs have normalized. Given this normalization of costs, it is believed that further efficiencies and savings can be realized. As such, the parties agree to modify the existing agreement with the following:

Level of Service Assumptions

1. Customer Service Center hours of operation have been reduced. Hours of operation for call-in phone service have been reduced from 12 hours a day seven days a week to 8 hours a day Monday through Friday and 4 hours a day on Saturday. Walk-in service has been reduced from 12 hours a day Monday through Friday and 4 hours a day on Saturday to 8 hours a day Monday through Friday and 4 hours a day on Saturday.
2. The mobile CSC will be available for two setups per year as directed by WSDOT. Costs for these setups will be included in the monthly fixed-fee.
3. The Tacoma CSC shall remain open through the startup of the SR 167 HOT Lanes (June 30, 2008). The cost of this service shall be paid by the SR 167 HOT Lanes operations starting April 1, 2008.
4. Postage and printing is included in the monthly fixed-fee.
5. Eliminate the contracted security requirement for the Administration Building.
6. Eliminate the performance bond requirement.

SR 167 HOT Lanes Interface

The SR 167 HOT Lanes contract will be a separate contract that provides the resources needed to meet the increased demand brought on by opening this facility. The impacts of this demand will be on toll system back office functions. This contract is aligned with the TNB Operations Contract and remains solely reliant on the back office and management functions provided by TNB. As such, in addition to the monthly fixed-fees dedicated to and paid by SR 167 HOT Lanes, a pro rata share of the back office expenses shall be borne by and paid from SR 167 HOT Lanes funds. This pro rata share is based on the number of toll transactions recorded by each facility.

Contract Structure

The existing contract will be converted from a combined variable-fee and fixed-fee contract to a fixed-fee contract. For this fixed monthly price, the contractor will operate and manage all aspects of the TNB Toll System as defined in the contract, including in-lane operations, violations processing, customer service, maintenance, accounting and financial reconciliation. Also, the services under this contract will serve as the primary back-office operations and management for SR 167.

Contract Term

The initial term of the contract is extended from January 2011 to June 30, 2012. Extension of term options remains in place subject to IRS limitations. In addition, a provision for an annual evaluation will be conducted by WSDOT and TransCore. This evaluation will include overall operations, operational performance standards, costs, and incentives.

Contract Termination & Severance

The termination and severance clause in the TNB operation contract will be included in this contract. However, a 6 month notification by WSDOT will be added to this contract provision.

Fixed Fee Costs

The agreed upon monthly fixed-fee paid by WSDOT to TransCore for toll systems operations shall be \$565,666/month for the Tacoma Narrows Bridge.

Reimbursable Costs

WSDOT will pay direct reimbursable cost items defined to include replacement and installation costs for direct capital toll system equipment and significant systems enhancements brought about by changes in sales tax laws, credit card security and violation processing.

Contract Escalation

Recognizing the delay of the opening from April 2007 to July 2007, WSDOT agrees to pay contested escalation amounts for invoices submitted to date through March 31, 2008 at 2.3%. It is agreed that this monthly fixed-fee price would go into effect starting April 1, 2008 and be valid through June 30, 2009. On July 1, 2009, and each anniversary thereafter during the life of the contract, the fixed monthly fee will be increased based on the change in the consumer price index.

WASHINGTON STATE DEPARTMENT
OF TRANSPORTATION

By: _____

Gregory A. Selstead, P.E.
Director, Toll Operations

Date

TRANSCORE, LP

By: _____

Michael R. Mauritz, P.E.
Vice President

Date

**Agreement in Principle
Between
WSDOT and TransCore
Regarding
SR 167 HOT Lanes Pilot Project
Toll System Operations
February 2008**

It is recognized that both parties are committed to the successful start-up operations of the SR 167 HOT Lanes Pilot Project Toll System. As such, the parties agree to the following contract principles:

Level of Service Assumptions

1. SR 167 HOT Lanes will share the existing back-office and management functions of the Tacoma Narrows Bridge toll operation system.
2. The mobile CSC will be available for ten setups as directed by WSDOT. Costs for these setups will be paid for by WSDOT as used and are not included in the monthly fixed-fee.
3. The Tacoma CSC will remain open through June 2008 and the costs will be assumed by the SR 167 on April 1, 2008.

Alignment with TNB Operations Contract

The SR 167 Contract will be a separate contract. However, it cannot stand alone as it is solely dependent on TNB back office operations and management. As such, the contract provisions of the existing TNB Toll Operations Contract remain in place. In addition to the monthly fixed-fees dedicated to and paid by SR 167 HOT Lanes, a pro rata share of the back office expenses shall be borne by and paid from SR 167 HOT Lanes funds. This pro rata share is based on the number of toll transactions recorded by each facility.

Contract Structure

The SR 167 HOT Lanes contract will be a monthly fixed-fee contract. For this fixed price, the contractor will operate and manage all aspects of the 167 HOT Lanes Toll System as defined in the contract including customer service, maintenance, accounting, IT support and financial reconciliation.

Contract Term

The initial term of the contract will be from April 1, 2008 to June 30, 2012. Extension of term options remains in place subject to IRS limitations. In addition, a provision for an annual evaluation will be conducted by WSDOT and Transcore. This evaluation will include overall operations, operational performance standards, costs, and incentives.

Contract Termination & Severance

The termination and severance clause in the TNB operation contract will be included in this contract. However, a 6 month notification by WSDOT will be added to this contract provision.

Fixed Fee Costs

The agreed upon monthly fixed fee paid by WSDOT to TransCore for toll systems operations shall be \$48,733/month for the SR 167 HOT Lanes.

Reimbursable Costs

WSDOT will pay direct reimbursable cost items defined to include replacement and installation costs for direct capital toll system equipment and significant systems enhancements brought about by changes in sales tax laws, credit card security and violation processing. In addition, WSDOT will pay for costs associated with directed work including the mobile customer service center, the Tacoma

customer service center, customer service representatives above anticipated service levels, point of purchase distribution, and non-warranty system maintenance.

Contract Escalation

It is agreed that this monthly fixed-fee price would go into effect starting April 1, 2008 and be valid through June 30, 2009. On July 1, 2009, and each anniversary thereafter during the life of the contract, the fixed monthly fee will be increased based on the change in the consumer price index.

**WASHINGTON STATE DEPARTMENT
OF TRANSPORTATION**

By: _____

Gregory A. Selstead, P.E.
Director, Toll Operations

Date

TRANSCORE, LP

By: _____

Michael R. Mauritz, P.E.
Vice President

Date

TransCore Costs for Tacoma Narrows Bridge

TransCore Costs for Tacoma Narrows Bridge

	Enacted Budget ¹	Governor's Supplemental ²	New TransCore Contract ³
Biennium Budget (FY 08-09)	\$13,368,000	\$18,662,000	\$17,590,532
New Contract Term Budget (FY 08-12)	\$36,074,000	\$46,929,000	\$41,304,279

¹ The enacted budget was developed and approved in 2006, prior to the commencement of tolling on the new bridge and prior to the opening of the *Good To Go!* electronic toll account program in Washington state. Assumptions made when developing this budget underestimated the number of *Good To Go!* accounts and the subsequent additional costs incurred.

² The Governor's Supplemental budget request includes the additional \$5 million in variable fees paid to TransCore that are associated with the success of the *Good To Go!* program.

⁴ The new TransCore Contract amount includes proposed \$565,666/month in fixed fees, plus \$50,000/year for replacement and installation costs for direct capital toll system equipment and \$435,000/year in expected significant system enhancements (e.g. sales tax requirements). It also includes a 3% annual contingency fund.

TransCore Costs Under Existing TNB Contract vs Proposed Contract

July 2007 thru June 2012

	Current Contract Terms		TransCore Original 5 yr Proposal (\$707,500/mo) + reimburseables ³	Negotiated Fixed Price (\$565,666/mo) + reimburseables + contingency fund ⁴
	Enacted Budget ¹	Governor's Proposed Budget ²		
FY 2008	\$6,212,000	\$10,245,000	\$10,403,492	\$10,113,900
FY 2009	\$7,156,000	\$8,417,000	\$8,890,000	\$7,476,632
FY 2010	\$7,370,000	\$9,054,000	\$9,144,700	\$7,686,381
FY 2011	\$7,592,000	\$9,418,000	\$9,407,041	\$7,902,422
FY 2012	\$7,744,000	\$9,795,000	\$9,677,252	\$8,124,945
	\$36,074,000	\$46,929,000	\$47,522,485	\$41,304,279

¹ The enacted budget was developed and submitted in 2006, prior to the commencement of tolling on the new bridge and prior to the opening of the *Good To Go!* electronic toll account program in Washington state. Assumptions made when developing this budget underestimated the number of *Good To Go!* accounts and the subsequent additional costs incurred.

² The Governor's Supplemental budget request includes the additional \$5 million in variable fees paid to TransCore in FY 2008 that are associated with the success of the *Good To Go!* program.

³ Reflects TransCore's original proposal during contract renegotiations.

⁴ The new TransCore Contract amount includes proposed \$565,666/month in fixed fees, plus \$50,000/year for replacement and installation costs for direct capital toll system equipment and \$435,000/year in expected significant system enhancements (e.g. sales tax requirements). It also includes a 3% annual contingency fund.

TNB Operations & Maintenance Costs



Tacoma Narrows Bridge Toll Operations Biennium Budget (B2) for FY 2008-09

	Current TransCore Contract Terms				Variance from Enacted	New TransCore Contract		Variance from Enacted	Variance from Governor's
	Enacted Budget		Governor's Supplemental Budget			TransCore Contract Renegotiation Proposal			
	Biennium \$	Percentage	Biennium \$	Percentage		Biennium \$	Percentage		
WSP Enforcement	\$1,588,000	2.3%	\$1,288,000	1.8%	(\$300,000)	\$1,288,000	1.8%	(\$300,000)	\$0
WSDOT Oversight and Administration of Toll Operations	\$5,397,000	7.9%	\$2,135,000	3.0%	(\$3,262,000)	\$2,135,000	3.0%	(\$3,262,000)	\$0
Credit card fees paid by WSDOT	\$1,875,000	2.7%	\$1,875,000	2.6%	\$0	\$1,875,000	2.6%	\$0	\$0
WSDOT Maintenance of New Bridge	\$1,548,000	2.3%	\$1,548,000			\$1,548,000			\$0
WSDOT Preservation of New Bridge	\$417,000	0.6%	\$417,000	0.6%	\$0	\$417,000	0.6%	\$0	\$0
Insurance	\$4,025,000	5.9%	\$4,025,000	5.6%	\$0	\$4,025,000	5.7%	\$0	\$0
Toll Systems Operations (TransCore Contract)	\$13,368,000	19.5%	\$18,662,000	25.9%	\$5,294,000	\$16,366,000	23.1%	\$2,998,000	(\$2,296,000)
Direct Reimburseables to TransCore, system enhancements, & contingency*	\$0	0.0%	\$0	0.0%	\$0	\$1,225,000	1.7%	\$1,225,000	\$1,225,000
SUBTOTAL of Operations & Maintenance Expenses	\$28,218,000	41.2%	\$29,950,000	41.6%	\$1,732,000	\$28,879,000	40.7%	\$661,000	(\$1,071,000)
Debt Service	\$41,882,000	61.1%	\$42,010,000	58.4%	\$128,000	\$42,010,000	59.3%	\$128,000	\$0
TOTAL	\$68,552,000	100%	\$71,960,000	100%	\$3,408,000	\$70,889,000	100%	\$2,337,000	(\$1,071,000)

* In addition to the monthly fee of \$565,666 that is being proposed under the renegotiated contract, WSDOT would also pay TransCore for reimburseable costs, capital equipment, and system enhancements. WSDOT would also maintain a 3% annual contingency fund. These costs are included in the Toll Systems Operations line item under the Governor's Supplemental budgets, but is listed here as a separate line item under TransCore's Contract Renegotiation budget.



**Projected Tacoma Narrows Bridge Toll Operations Budget (B2) for
FY 2008-2012 (Duration of New TransCore Contract)**

	Governor's Supplemental Budget (Current Contract)		TransCore Contract Renegotiation Proposal		Variance from Governor's
	FY 08-12 \$	Percentage	FY 08-12 \$	Percentage	
WSP Enforcement	\$3,899,000	1.6%	\$3,899,000	1.6%	\$0
WSDOT Oversight and Administration of Toll Operations	\$7,523,000	3.0%	\$7,523,000	3.1%	\$0
Credit card fees paid by WSDOT	\$6,606,000	2.7%	\$6,606,000	2.7%	\$0
WSDOT Maintenance of New Bridge	\$4,071,000	1.6%	\$4,071,000	1.7%	\$0
WSDOT Preservation of New Bridge	\$1,284,000	0.5%	\$1,284,000	0.5%	\$0
Insurance	\$14,666,000	5.9%	\$14,666,000	6.0%	\$0
Toll Systems Operations (TransCore Contract)	\$46,929,000	18.9%	\$37,976,000	15.7%	(\$8,953,000)
Direct Reimbursables to TransCore, system enhancements, & contingency*	\$0	0.0%	\$3,328,000	1.4%	\$3,328,000
SUBTOTAL of Operations & Maintenance Expenses	\$84,978,000	34.2%	\$79,353,000	32.7%	(\$5,625,000)
Debt Service	\$163,257,000	65.8%	\$163,257,000	67.3%	\$0
TOTAL	\$248,235,000	100%	\$242,610,000	100%	(\$5,625,000)

* In addition to the monthly fee of \$565,666 that is being proposed under the renegotiated contract, WSDOT would also pay TransCore for reimburseable costs, capital equipment, and system enhancements. WSDOT would also maintain a 3% annual contingency fund. These costs are included in the Toll Systems Operations line item under the Governor's Supplemental budgets, but is listed here as a separate line item under TransCore's Contract Renegotiation budget.

TNB Finance Cost/Revenue

Financial Plan History

- **Enacted Plan**
 - 07-09 Baseline budget enacted March 2007
 - Toll Rates adopted April 2007
- **Updated Debt Service Repayment Plan provided by Office of State Treasurer**
 - September 2007
- **Updated Revenue Forecast**
 - November 2007
- **Governor's Supplemental Budget**
 - December 2007
- **Governor's Supplemental Budget with Updated Revenue Forecast**
 - February 2008

Toll Operations and Maintenance
Program B2 Tacoma Narrows Bridge
Financial Plan Summary

Dollars in Thousands

Baseline Budget for FY 07 - 09 as Enacted, March 2007
Baseline Revenue Reflecting Toll Rates approved by Transportation Commission, April 2007

State Fiscal Year	Toll Rate	Gross Toll Revenue	WSDOT Oversight & Administration of Toll Operations	Toll Systems Operations (TransCore Contract) ⁴	WSDOT Maintenance of the New Bridge	WSP Enforcement	Insurance	Total Toll Operations & Maintenance	WSDOT Preservation of New Bridge, Roadway, & Toll Systems	Deferred Sales Tax	Total Costs paid by Tolls	Net Toll Revenue	Debt Service	Transfer From/(To) Other Sources	Yearly Remaining Funds	Cumulative Funds	Debt Service Coverage
2006			171	368													
2007 ¹	-	-	1,321	3,428	-	-	-	5,288	-	-	5,288	(5,288)	-	5,288	-	-	0.0%
2008 ²	\$1.75/\$3.00	31,228	3,477	6,212	733	752	735	11,909	112	-	12,021	19,207	14,751	1,300	5,756	5,756	130.2%
2009 ³	3.00	45,071	3,795	7,156	815	836	3,290	15,892	305	-	16,197	28,874	27,131	-	1,743	7,499	106.4%
2010 ³	4.00	60,088	3,388	7,370	830	851	3,447	15,886	136	-	16,022	44,066	35,141	(2,644)	6,281	13,780	125.4%
2011	4.00	61,777	3,452	7,592	845	867	3,519	16,275	543	-	16,818	44,959	45,171	(2,644)	(2,856)	10,924	99.5%
2012	4.00	63,349	3,440	7,744	860	884	3,646	16,574	184	-	16,758	46,591	40,747		5,844	16,768	114.3%
2013 ³	5.00	72,519	3,507	7,899	876	902	3,826	17,010	500	5,887	23,397	49,122	46,200		2,922	19,690	106.3%
2014	5.00	82,127	3,576	8,056	891	920	3,956	17,399	13	5,887	23,299	58,828	54,774		4,054	23,744	107.4%
2015	5.00	84,005	3,643	8,210	908	937	4,082	17,780	3,060	5,887	26,727	57,278	54,091		3,187	26,931	105.9%
2016 ³	6.00	92,977	3,713	8,368	924	955	4,257	18,217	2,143	5,887	26,247	66,730	62,653		4,077	31,008	106.5%
2017	6.00	101,878	3,786	8,537	941	975	4,385	18,624	751	5,887	25,262	76,616	70,906		5,710	36,718	108.1%
2018	6.00	103,053	3,857	8,700	958	993	4,456	18,964	3,634	5,887	28,485	74,568	70,389		4,179	40,897	105.9%
2019	6.00	104,240	3,929	8,862	975	1,012	4,530	19,308	198	5,887	25,393	78,847	73,724		5,123	46,020	106.9%
2020	6.00	105,441	4,005	9,037	993	1,030	4,610	19,675	475	5,887	26,037	79,404	73,685		5,719	51,739	107.8%
2021	6.00	106,837	4,084	9,218	1,011	1,051	4,694	20,058	3,005	5,887	28,950	77,887	72,873		5,014	56,753	106.9%
2022	6.00	108,439	4,164	9,403	1,029	1,072	4,781	20,449	633	5,887	26,969	81,470	78,537		2,933	59,686	103.7%
2023	6.00	110,066	4,245	9,590	1,048	1,093	4,869	20,845	3,362	-	24,207	85,859	80,337		5,522	65,208	106.9%
2024	6.00	111,717	4,330	9,786	1,067	1,116	4,962	21,261	233	-	21,494	90,223	84,381		5,842	71,050	106.9%
2025	6.00	113,392	4,417	9,989	1,086	1,139	5,053	21,684	321	-	22,005	91,387	85,435		5,952	77,002	107.0%
2026	6.00	114,814	4,747	10,198	1,106	1,162	5,145	22,358	1,942	-	24,300	90,514	84,784		5,730	82,732	106.8%
2027	6.00	115,962	4,600	10,416	1,126	1,187	5,238	22,567	2,327	-	24,894	91,068	85,045		6,023	88,755	107.1%
2028	6.00	117,122	4,695	10,635	1,146	1,212	5,331	23,019	716	-	23,735	93,387	87,340		6,047	94,802	106.9%
2029	6.00	118,293	4,791	10,860	1,167	1,238	5,426	23,482	955	-	24,437	93,856	87,737		6,119	100,921	107.0%
2030	6.00	119,475	4,892	11,098	1,188	1,265	4,726	23,169	3,224	-	26,393	93,082	85,990		7,092	108,013	108.2%
TOTALS		2,143,870	94,025	208,732	22,523	23,449	98,964	447,693	28,772	58,870	535,335	1,608,535	1,501,822		108,013		

1) Toll Commencement is planned for July 16, 2007.
2) Toll rates assume \$1.75 ETC/\$3 cash for 2008 and corresponding ETC discount for multi-axle vehicles; ETC participation average of 65%.
3) Planned resumption of \$3.00 toll for all vehicles July 2008 and toll increases of \$1.00 for 2010, 2013, and 2016.
4) Yellow highlighted section reflects the cost for the duration of the current TransCore contract. The total amount proposed for TransCore's current contract under this original financial plan is \$32,126,000.

Toll Operations and Maintenance
Program B2 Tacoma Narrows Bridge
Financial Plan Summary
Dollars Rounded to Thousands

Updated Revenue Forecast, February 2008⁵

Governor's Supplemental Budget, December 2007⁴

Updated Revenue Forecast, November 2007, Reflecting Additional Revenue from Transponder Sales
Updated Debt Service Repayment schedule as provided by Office of State Treasurer September 2007

State Fiscal Year	Toll Rate	Toll Revenue	Trans- ponder Revenue	Gross Toll Revenue	WSDOT Oversight & Administration of Toll Operations	Toll Systems Operations (TransCore Contract) ⁶	WSDOT Maintenance of the New Bridge	WSP Enforcement	Insurance	Total Toll Operations & Maintenance	WSDOT Preservation of New Bridge, Roadway, & Toll Systems	Deferred Sales Tax	Total Costs paid by Tolls	Net Toll Revenue	Debt Service	Transfer From/(To) Other Sources	Yearly Remaining Funds	Cumulative Funds	Debt Service Coverage
2006					171	368													
2007 ¹	-			-	1,321	3,428	-	-	-	5,288	-	-	5,288	(5,288)	-	5,288	-	-	0.0%
2008 ²	\$1.75/\$3.00	30,501	630	31,131	1,836	10,245	733	602	735	14,151	112	-	14,263	16,868	14,808	1,300	3,360	3,360	113.9%
2009 ³	3.00	45,621	534	46,155	2,154	8,417	815	686	3,290	15,362	305	-	15,667	30,488	27,202	-	3,286	6,646	112.1%
2010 ⁴	4.00	62,108	578	62,686	3,371	9,054	831	853	3,455	17,564	136	-	17,700	44,986	35,212	(2,644)	7,130	13,776	127.8%
2011	4.00	62,938	595	63,533	3,406	9,418	841	870	3,529	18,064	546	-	18,610	44,923	45,242	(2,644)	(2,963)	10,813	99.3%
2012	4.00	63,349	610	63,959	3,362	9,795	851	888	3,657	18,553	185	-	18,738	45,221	40,793		4,428	15,241	110.9%
2013 ⁴	5.00	72,519	621	73,140	3,622	9,986	861	905	3,834	19,208	503	5,721	25,432	47,708	46,246		1,462	16,703	103.2%
2014	5.00	82,127	632	82,759	3,662	10,178	878	922	3,964	19,604	13	5,721	25,338	57,421	54,818		2,603	19,306	104.7%
2015	5.00	84,005	647	84,652	3,703	10,372	896	940	4,090	20,001	3,072	5,721	28,794	55,858	54,135		1,723	21,029	103.2%
2016 ⁴	6.00	92,977	652	93,629	4,031	10,571	914	958	4,265	20,739	2,150	5,721	28,610	65,019	62,693		2,326	23,355	103.7%
2017	6.00	101,878	654	102,532	4,079	10,778	932	977	4,390	21,156	753	5,721	27,630	74,902	70,942		3,960	27,315	105.6%
2018	6.00	103,053	661	103,714	4,128	10,985	951	996	4,463	21,523	3,646	5,721	30,890	72,824	70,425		2,399	29,714	103.4%
2019	6.00	104,240	669	104,909	4,179	11,200	970	1,015	4,540	21,904	199	5,721	27,824	77,085	73,756		3,329	33,043	104.5%
2020	6.00	105,441	677	106,118	4,229	11,415	990	1,036	4,617	22,287	476	5,721	28,484	77,634	73,714		3,920	36,963	105.3%
2021	6.00	106,837	686	107,523	4,281	11,635	1,010	1,056	4,699	22,681	3,013	5,721	31,415	76,108	72,902		3,206	40,169	104.4%
2022	6.00	108,439	696	109,135	4,334	11,857	1,030	1,076	4,783	23,080	634	5,721	29,435	79,700	78,566		1,134	41,303	101.4%
2023	6.00	110,066	706	110,772	4,389	12,089	1,051	1,097	4,871	23,497	3,367	-	26,864	83,908	80,363		3,545	44,848	104.4%
2024	6.00	111,717	717	112,434	4,444	12,329	1,072	1,118	4,960	23,923	233	-	24,156	88,278	84,404		3,874	48,722	104.6%
2025	6.00	113,392	728	114,120	4,501	12,574	1,094	1,141	5,050	24,360	321	-	24,681	89,439	85,454		3,985	52,707	104.7%
2026	6.00	114,814	737	115,551	4,559	12,831	1,116	1,164	5,140	24,810	1,941	-	26,751	88,800	84,799		4,001	56,708	104.7%
2027	6.00	115,962	744	116,706	4,618	13,092	1,138	1,188	5,229	25,265	2,324	-	27,589	89,117	85,057		4,060	60,768	104.8%
2028	6.00	117,122	752	117,874	4,679	13,357	1,161	1,212	5,318	25,727	714	-	26,441	91,433	87,347		4,086	64,854	104.7%
2029	6.00	118,293	759	119,052	4,740	13,625	1,185	1,236	5,409	26,195	952	-	27,147	91,905	87,741		4,164	69,018	104.7%
2030	6.00	119,475	767	120,242	4,803	13,903	1,208	1,261	4,703	25,878	3,209	-	29,087	91,155	85,990		5,165	74,183	106.0%
TOTALS		2,146,874	15,452	2,162,326	92,602	263,502	22,528	23,197	98,991	500,820	28,804	57,210	586,834	1,575,492	1,502,609		74,183		

1) Toll collection commenced July 16, 2007.

2) Toll rates assume \$1.75 ETC/\$3 cash for 2008 and corresponding ETC discount for multi-axle vehicles; ETC participation average of 65%.

3) Planned resumption of \$3.00 toll for all vehicles July 2008 and toll increases of \$1.00 for 2010, 2013, and 2016.

4) The Supplemental Budget Request includes actual accounting results through June 30, 2007, the biennium close. The deferred sales tax amount reflects the updated final project cost assumptions. Also, the estimates for program expenditures beyond 2011 are factored for inflation, based on Implicit Price Deflator for Personal Consumption (IPD-PC) rates.

5) Revenue updated per WSDOT February Revenue Forecast. Toll Revenue, provided by WSA, reflects economic downturn and predicted fuel price increases to continue, negatively impacting traffic.

6) Yellow highlighted section reflects the cost for the duration of the current TransCore contract. The total amount proposed for TransCore's current contract under this financial plan is \$40,930,000.

Toll Operations and Maintenance
Program B2 Tacoma Narrows Bridge
Financial Plan Summary
Dollars Rounded to Thousands

TransCore Contract Proposal, February 2008⁶

Updated Revenue Forecast, February 2008⁵

Governor's Supplemental Budget, December 2007⁴

Updated Revenue Forecast, November 2007, Reflecting Additional Revenue from Transponder Sales

Updated Debt Service Repayment schedule as provided by Office of State Treasurer September 2007

State Fiscal Year					WSDOT Oversight & Administration of Toll Operations	Toll Systems Operations (TransCore Contract) ⁶	WSDOT Maintenance of the New Bridge	WSP Enforcement	Insurance	Total Toll Operations & Maintenance	WSDOT Preservation of New Bridge, Roadway, & Toll Systems	Deferred Sales Tax	Total Costs paid by Tolls	Net Toll Revenue	Debt Service	Transfer From/(To) Other Sources	Yearly Remaining Funds	Cumulative Funds	Debt Service Coverage
	Toll Rate	Toll Revenue	Trans- ponder Revenue	Gross Toll Revenue															
2006					171	368													
2007 ¹	-			-	1,321	3,428	-	-	-	5,288	-	-	5,288	(5,288)	-	5,288	-	-	0.0%
2008 ²	\$1.75/\$3.00	30,501	630	31,131	1,836	10,113	733	602	735	14,019	112	-	14,131	17,000	14,808	1,300	3,492	3,492	114.8%
2009 ³	3.00	45,621	534	46,155	2,154	7,477	815	686	3,290	14,422	305	-	14,727	31,428	27,202	-	4,226	7,718	115.5%
2010 ⁴	4.00	62,108	578	62,686	3,371	7,686	831	853	3,455	16,196	136	-	16,332	46,354	35,212	(2,644)	8,498	16,216	131.6%
2011	4.00	62,938	595	63,533	3,406	7,902	841	870	3,529	16,548	546	-	17,094	46,439	45,242	(2,644)	(1,447)	14,769	102.6%
2012	4.00	63,349	610	63,959	3,362	8,125	851	888	3,657	16,883	185	-	17,068	46,891	40,793		6,098	20,867	114.9%
2013 ⁴	5.00	72,519	621	73,140	3,622	8,625	861	905	3,834	17,847	503	5,721	24,071	49,069	46,246		2,823	23,690	106.1%
2014	5.00	82,127	632	82,759	3,662	8,884	878	922	3,964	18,310	13	5,721	24,044	58,715	54,818		3,897	27,587	107.1%
2015	5.00	84,005	647	84,652	3,703	9,150	896	940	4,090	18,779	3,072	5,721	27,572	57,080	54,135		2,945	30,532	105.4%
2016 ⁴	6.00	92,977	652	93,629	4,031	9,425	914	958	4,265	19,593	2,150	5,721	27,464	66,165	62,693		3,472	34,004	105.5%
2017	6.00	101,878	654	102,532	4,079	9,708	932	977	4,390	20,086	753	5,721	26,560	75,972	70,942		5,030	39,034	107.1%
2018	6.00	103,053	661	103,714	4,128	9,999	951	996	4,463	20,537	3,646	5,721	29,904	73,810	70,425		3,385	42,419	104.8%
2019	6.00	104,240	669	104,909	4,179	10,299	970	1,015	4,540	21,003	199	5,721	26,923	77,986	73,756		4,230	46,649	105.7%
2020	6.00	105,441	677	106,118	4,229	10,608	990	1,036	4,617	21,480	476	5,721	27,677	78,441	73,714		4,727	51,376	106.4%
2021	6.00	106,837	686	107,523	4,281	10,926	1,010	1,056	4,699	21,972	3,013	5,721	30,706	76,817	72,902		3,915	55,291	105.4%
2022	6.00	108,439	696	109,135	4,334	11,254	1,030	1,076	4,783	22,477	634	5,721	28,832	80,303	78,566		1,737	57,028	102.2%
2023	6.00	110,066	706	110,772	4,389	11,591	1,051	1,097	4,871	22,999	3,367	-	26,366	84,406	80,363		4,043	61,071	105.0%
2024	6.00	111,717	717	112,434	4,444	11,939	1,072	1,118	4,960	23,533	233	-	23,766	88,668	84,404		4,264	65,335	105.1%
2025	6.00	113,392	728	114,120	4,501	12,297	1,094	1,141	5,050	24,083	321	-	24,404	89,716	85,454		4,262	69,597	105.0%
2026	6.00	114,814	737	115,551	4,559	12,666	1,116	1,164	5,140	24,645	1,941	-	26,586	88,965	84,799		4,166	73,763	104.9%
2027	6.00	115,962	744	116,706	4,618	13,046	1,138	1,188	5,229	25,219	2,324	-	27,543	89,163	85,057		4,106	77,869	104.8%
2028	6.00	117,122	752	117,874	4,679	13,437	1,161	1,212	5,318	25,807	714	-	26,521	91,353	87,347		4,006	81,875	104.6%
2029	6.00	118,293	759	119,052	4,740	13,841	1,185	1,236	5,409	26,411	952	-	27,363	91,689	87,741		3,948	85,823	104.5%
2030	6.00	119,475	767	120,242	4,803	14,256	1,208	1,261	4,703	26,231	3,209	-	29,440	90,802	85,990		4,812	90,635	105.6%
TOTALS		2,146,874	15,452	2,162,326	92,602	247,050	22,528	23,197	98,991	484,368	28,804	57,210	570,382	1,591,944	1,502,609		90,635	1,076,640	

1) Toll collection commenced July 16, 2007.

2) Toll rates assume \$1.75 ETC/\$3 cash for 2008 and corresponding ETC discount for multi-axle vehicles; ETC participation average of 65%.

3) Planned resumption of \$3.00 toll for all vehicles July 2008 and toll increases of \$1.00 for 2010, 2013, and 2016.

4) The Supplemental Budget Request includes actual accounting results through June 30, 2007, the biennium close. The deferred sales tax amount reflects the updated final project cost assumptions.

Also, the estimates for program expenditures beyond 2011 are factored for inflation, based on Implicit Price Deflator for Personal Consumption (IPD-PC) rates.

5) Revenue updated per WSDOT February Revenue Forecast. Toll Revenue, provided by WSA, reflects economic downturn and predicted fuel price increases to continue, negatively impacting traffic.

6) The new TransCore Contract amount includes proposed \$565,666/month in fixed fees, plus \$50,000/year for replacement and installation costs for direct capital toll system equipment and \$435,000/year in expected significant system enhancements (e.g. sales tax requirements). It also includes a 3% annual contingency fund.

7) Yellow highlighted section reflects the cost for the duration of the proposed TransCore fixed-fee contract. The total amount proposed for TransCore's new contract under this financial plan from FY 08-12 is \$41,304,279.

SR 167 HOT Lanes Program Costs



SR 167 Toll Operations Biennium Budget (B3) for FY 2008-09

	Enacted Budget		TransCore Contract Renegotiation Proposal		Variance from Enacted
	Biennium \$	Percentage	Biennium \$	Percentage	
WSP Enforcement	\$110,000	4.2%	\$521,664	20.9%	\$411,664
WSDOT Tolls Operation Staff	\$340,885	13.1%	\$340,885	13.6%	\$0
WSDOT Incident Response	\$655,000	25.2%	\$597,417	23.9%	(\$57,583)
WSDOT Roadway Maintenance	\$59,000	2.3%	\$59,000	2.4%	\$0
Toll Systems Operations (TransCore Contract)	\$1,431,115	55.1%	\$730,995	29.3%	(\$700,120)
Direct Reimbursables to TransCore, system enhancements, & contingency*	\$0	0.0%	\$247,399	9.9%	\$247,399
TOTAL	\$2,596,000	100.0%	\$2,497,360	100.0%	(\$98,640)

* The new TransCore Contract amount includes proposed \$48,733/month in fixed fees, plus \$180,375/ year for reimbursables, additional customer-service related tasks deemed necessary, and significant system enhancements. It also includes an annual contingency fund of 3%. These costs are included in the Toll Systems Operations line item under the enacted budget, but is listed here as a separate line item under TransCore's Contract Renegotiation budget.

WSDOT “B” Program Costs



WSDOT "B" Program Costs

	07-09 Biennium		
	Enacted Budget	Governor's Supplemental Budget	TransCore Contract Renegotiation
B1 - Tolling Administration	\$599,946	\$1,895,000	\$1,895,000
B2 - Tacoma Narrows Bridge	\$28,218,000	\$29,950,000	\$28,879,000
B2 - SR 167 HOT Lanes	\$2,596,000	\$2,596,000	\$2,497,360
TOTAL	\$31,413,946	\$34,441,000	\$33,271,360

Questions & Answers Regarding TransCore Contract

Questions and Answers on Toll Operations

Governor's Supplemental Budget Request for TNB

1. Is WSDOT looking out for Narrows toll payers?

Yes, WSDOT takes its stewardship responsibility seriously and continues to ensure that the cost of toll collection remains cost-efficient and effective and that expenditures are reasonable and appropriate. These activities include: not filling all approved and funded positions; structuring the debt repayment to out years to provide flexibility for cash flow variables; allocating statewide toll operation charges not associated with direct Tacoma Narrows Bridge functions to other projects and programs; deferring a decision to relocate office space; and working to ensure contract performance standards are being met.

2. What's driving the additional costs to the TNB program?

The success of the *Good to Go!* program has resulted in additional up front costs of approximately \$5 million. These costs are driven by the variable priced items in the contract associated with electronic toll collection. With more customers taking advantage of electronic toll collection, there has been an increase to the overall volume of accounts, transponders and transactions. More information on this topic is available in the attached briefing paper "Why Was TransCore Paid \$5 million More."

3. Why are credit card fees and postage so high?

There is currently \$1,155,308 budgeted for credit card fees and this has been increased by another \$129,687 in the supplemental budget request in response to the high number of *Good To Go!* accounts using credit cards. Postage and printing is \$140,000 for the biennium, which includes such items as mailing of welcome packets and statements to customers and printing of all *Good To Go!* materials.

4. What's been proposed for reductions to offset these higher costs?

Reductions totalling \$3.5 million have been proposed in the Governor's Supplemental budget to cut costs paid for through Tacoma Narrows Bridge tolls. This includes cutting over \$2 million in WSDOT's toll operations and consulting fees; reallocating \$1.3 million in senior management staffing costs from the TNB (B2) project to the statewide toll operations budget (B1); and cutting \$300,000 for the tow truck contract.

5. Why are you cutting consultant contracts?

The Governor recommends a reduction of \$523,344 for consultant fees from its approved biennium budget for TNB toll operations. This was possible primarily because of the success of the *Good to Go!* marketing program, which does not require any further assistance from marketing consultants. But, there continues to be a need for some ongoing consultant expertise specific to the Tacoma Narrows Bridge for such things as revenue projections, toll setting scenarios, and operations. Consultant activities for other WSDOT projects will be charged to those projects, not the Tacoma Narrows Bridge toll payers.

Tolling Operations

6. **How successful is the *Good To Go!* program?**

Tolling experts from across the country thought that signing up 25,000 people with *Good To Go!* accounts was ambitious. WSDOT now has almost four times that number with 91,000 accounts established and over 200,000 transponders distributed.

7. **Are people still signing up for *Good To Go!*?**

Approximately 400 new accounts are being established each week. About 10,000 new accounts have been established since the end of the promotional period in September.

8. **Where are the account holders from?**

Nearly 50% of the account holders live in the Tacoma Narrows Bridge key market areas of Gig Harbor and Port Orchard. Another 18% are from Tacoma, 3% from Seattle, and 3% from the SR 167 Corridor. Nearly 96% of households in Gig Harbor; 46% in Port Orchard; 29% in Silverdale; 21% in Bremerton; and 12% in Tacoma have *Good To Go!* accounts.

9. **How many transponders were given away and how many have been paid for?**

As part of its promotional campaign to sign up significant numbers of drivers for the *Good To Go!* electronic toll program, WSDOT offered up to six free transponders to each customer. The promotional period lasted from April 2007 when the customer service center opened through mid-September. To-date, a total of 39,000 transponders have been purchased by customers. 37,000 of them were the windshield-mounted transponders. Of those, 10,000 were purchased by customers during the promotional period (by those who needed more than the six free or who wanted license-plate mounted rather than the windshield stickers). Since *Good To Go!* started charging for all transponders in September 2007, some 29,000 have been purchased. About half of them were purchased by existing customers and half by new customers.

10. **How many drivers use the electronic toll lanes?**

The percentage of electronic toll (ETC) lane users has been steadily increasing since the bridge opened in July 2007. During the first month an average of 63% of the vehicles used the ETC lanes. Currently, over 75% of the vehicles are using the electronic toll lanes, with averages approaching 85% during morning commute hours.

11. **Did WSDOT ask other toll facilities for help?**

Yes, WSDOT sought the input of experts from across the country to advise it on the best practices for developing a new tolling program that incorporates both electronic tolling and cash collections. WSDOT assembled a peer group consisting of International Bridge, Tunnel and Turnpike Association (IBTTA) volunteer members. They conducted extensive surveys, held two onsite visits at the Tacoma Narrows Bridge offices, held discussion on conference calls, and compiled their findings for review and action. They were asked to assist with the issues that included, among others:

- Customer service center procedures, customer application, account supported (pre-paid/post paid-private/commercial-unregistered),
- Tag distribution process, violation & video tolling,
- Personnel procedures,
- Training procedures,
- Marketing, public information,
- Financial procedure and reporting.

Current Contract with TransCore

12. Does WSDOT have the right contract mechanism in place?

The current operations contract is for five years, ending January 31, 2011. Prior to opening, WSDOT conducted industry peer reviews to evaluate the cost of operations and the operations contract.

13. What steps were taken to ensure TNB costs were comparable to other toll facilities?

Prior to opening, WSDOT looked at how its projected costs to operate the TNB toll system compared to the costs of other similar toll facilities across the country. When comparing the costs of TransCore's toll operations to annual revenue, WSDOT was projected to pay about 18% in 2009 and 10% in 2014. This was in keeping with industry averages that ranged from 12 to 25%. However, it should be noted that the comparison of TNB costs to other toll facilities is a difficult one, since no operation is exactly like TNB's. More details can be found in the attached report.

14. What are the performance measures?

Performance measures include two components. First are toll system performance measures identical to those in the toll systems agreement. TransCore recently completed the toll system acceptance tests. These tests are contractually required and the results must be completed and submitted to WSDOT within 6 months from the time tolling began. The tests, which were conducted under normal tolling and live operating conditions, began on November 1, 2007 and concluded 60 days later on December 31, 2007. WSDOT is currently reviewing the results to determine compliance. These tests specify a high level of accuracy in electronic toll collection, vehicle classification, violation imagery, lane availability, and customer service center computer system availability. The contracts call for an accuracy within the overall tolling system that is no less than 99.5%. A minimum of one annual test is required under the Operations contract, though TransCore may perform more at its discretion. The second component is operations performance measures that are intended to assess customer service performance such as the time a customer spends waiting on hold, the time to fulfill a transponder order and the time to issue a violation notice. During negotiation of the original contract, specific incentives for good performance or liquidated damages for substandard performance were considered but not included in the contract. The contract contains the provision to reassess these after the first two years.

15. Since WSDOT entered into a contract with TransCore to provide both the equipment and the operation of the toll system, would we have to replace everything if we hired a new contractor?

No, WSDOT owns the equipment and systems that are currently in place. One option might be to hire another contractor to operate the system, using existing facilities. There would be no need to issue new transponders, re-establish accounts, or install new equipment in the toll plaza. However, there would be a substantial cost to WSDOT for TransCore to demobilize and for another vendor to assume operations (see question 19 for details).

16. Which contract fees are fixed and which are variable?

Fixed fees include all labor (overhead and profit included) for supervisors, managers, customer service representatives, toll collectors, and image review clerks. Variable fees are associated with the services performed. The account maintenance fee is based on total accounts at the end of each month. In addition, ETC transactions, video-tolls, image

review, statement and notice mailing, violation notices, and tag fulfillment are all charged based on a per unit rate.

17. **How are the variable fees figured?**

Variable fees, as incorporated in the Toll Systems Operation Agreement, provide compensation to the Contractor, in addition to the monthly fixed fee, for completion of certain tasks based the number of units that occur, for example a variable fee of \$0.52 for each ETC transaction. All variable fees are a direct result of providing service to toll customers. Variable fees are billed to WSDOT and reimbursed along with the monthly fixed fee on a monthly basis.

Numerous variable fees are included in the Toll Systems Operation Agreement, such as:

- *Transponder Fulfillment Fee* Contractor receives a Transponder Fulfillment Fee for each transponder issued after the mobilization period. The Transponder Fulfillment Fee for pre-toll commencement was \$14.85 (in order to encourage distribution of as many transponders as possible prior to bridge opening) and \$11.75 during post-toll commencement.
- *Monthly Account Maintenance Fee* This is fee applied to each account established for an ETC customer charged at the end of each month on active accounts. Pre-toll commencement Monthly Account Maintenance Fee was \$.53 per account and is \$1.42 per account for post-toll commencement.
- *ETC Transaction Fee* An ETC Transaction Fee is paid to the Contractor for every ETC tolling transaction, except for transactions of exempt vehicles. The ETC Transaction Fee is \$.052 and a detailed explanation is provided below.
- TransCore's system tracks and records the number of ETC transactions daily. At the end of each calendar month, TransCore staff total the number of ETC transactions for the month and subtract the number of transactions for toll exempt vehicles. The resulting number is multiplied by \$.052 and included in the monthly billing to the Department.
- For example, in the month of December, 2007, TransCore billed the Department for 806,125 ETC Transaction Fees. Transportation staff verified the accuracy of the billing and ensured that the count of toll exempt vehicles was excluded. As a result, the Department will reimburse TransCore \$41,918.50 for ETC Transaction Fees for December, 2007.
- Note: All of the following violation associated fees were planned prior to legislative changes to toll enforcement. Much more contractor effort was previously required than under the new law.
- *Image Review Fee* The Image Review Fee is assessed for each violation image that is processed by the Contractor. The Image Review Fee is \$.32.
- *Video Toll Fee* Contractor is reimbursed a Video Toll Fee for each identification and verification to a tolling violation by a customer or their vehicle. The Video Toll Fee is \$.11.
- *Violation Notice Fee* This fee is paid to the Contractor for each notice of tolling violation that the Contractor properly issues on a timely basis. The Violation Notice Fee is paid to the Contractor in addition to any Image Review Fee and Video Toll Fee charged for the same violation. The Department pays the postage for violation notices. The Violation Notice Fee is \$.89.
- *Paper Statement and Notice Fee* Contractor is reimbursed a Paper Statement and Notice Fee for each statement issued to a customer, either at the customer's

request or at the Department's request. In addition to the Paper Statement and Notice Fee of \$.61,

- *Postage and credit card fees* WSDOT pays postage for all mailed statements/notices, and pays credit card fees of about 2% of all prepaid toll deposits and various other payments. Postage fees are reimbursed to the contractor. Credit card fees are directly paid by WSDOT. Since opening, credit card fees have totaled \$243,114 or about \$30,400/month.

18. What is the term of the contract?

The contract was negotiated in 2005 and signed late that year. The term runs from January 2006 to January 2011 (five years from notice to proceed - the mobilization date). The contract may be extended at the owner's (WSDOT) option for two successive five year terms.

19. What options does WSDOT have to renegotiate the contract?

WSDOT has two options available which include renegotiating by change order or terminating the contract for convenience. Under the change order provision, the two parties would sit down and negotiate reductions in cost. Under the termination for convenience provision, WSDOT would need to be prepared to move immediately to find a new operator or to assume operations internally within WSDOT (hiring the toll collectors, customer service representatives, etc.). This shift may have complications with the upcoming 167 HOT lanes project given the fact that WSDOT is planning to have TransCore integrate back office functions and operations. Under the termination clause, TransCore would be entitled to payment for all services performed prior to termination; documented and reasonable direct costs of demobilization and termination including close out costs and amounts payable to subcontractors and suppliers. It is estimated that termination and demobilization costs could total up to one million dollars.

20. What were the base level assumptions for the Toll System Operation Agreement?

This was the first toll operations contract in Washington state and the result of the public private initiative of 1993. The original plan to allow a private entity to design, build, operate, maintain the Tacoma Narrows Bridge (including toll operations) was substantially changed by the legislature in 2002 when public funds (transportation bonds) were authorized to construct the bridge. Two contracts were then structured to build the bridge (Tacoma Narrows Constructors) and design, build and operate the toll system (TransCore). The resulting toll operations contract was sole source, negotiated price with two price components, fixed price, originally budgeted at about 80% of cost and variable fees the other 20%. Variable fees were used due to many unknowns at the time of negotiation such as number of accounts and transponders, ETC usage and credit card and postage fees.

21. Why has WSDOT taken action to renegotiate the original contract?

WSDOT conducted extensive analysis of its actual operating costs and updated its financial plan to reflect the true costs of operations under the very successful implementation of the *Good To Go!* program. It was clear that actions needed to be taken to reduce costs and therefore, WSDOT approached TransCore in late 2007 to initiate discussions regarding the contract terms. One option that has been pursued during subsequent meetings is a new amended contract with a single monthly fixed fee that would replace both the fixed and variable fees that are currently paid to TransCore. Under such a contract, WSDOT would be pay a monthly fee and stipulated limited specific items which will be billed as reimbursable costs.

SR 167 HOT Lanes Contract with TransCore

22. Why was SR 167 a sole source contract?

SR 167 HOT Lanes is a pilot project to determine the benefits of pricing through congestion and traffic management. During the term of the four-year pilot, WSDOT will test, change and monitor the parameters of the pricing program. The Toll Collection and Accounting System (TCAAS) for the Tacoma Narrows Bridge that TransCore is under contract to provide is compatible with the needs of SR 167 and the integration of the two systems was a key goal in developing a statewide tolling program. These two factors along with efficiencies gained through economies of scale are paramount in meeting the requirements and approval of OFM.

23. How do the two TransCore contracts interrelate?

The TNB toll operations contract provides the primary back-office operations and management mechanism for tolling in the state. SR 167 HOT Lanes, because of its estimated size and duration, can be efficiently integrated into the existing Toll Collection and Accounting System (TCAAS) furnished by TransCore for long-term operations of the TNB. The integration of the two systems supports the intent of offering customers on all Washington's toll facilities a single account, a single transponder, and a single point of contact for customer service.

24. How are shared expenses allocated to each project?

Expenses are shared on a pro-rata basis by comparing the estimated number of projected SR 167 transactions to the number of transactions on the TNB. WSDOT estimates an additional 5,000 transactions per day will occur on SR 167, compared to the average of 40,000 transactions per day on TNB. Therefore, SR 167 HOT lanes will be charged 12.5% of the shared costs of those back office functions not specifically dedicated to TNB.

Attachments

Why was TransCore paid \$5 million more than planned when the new Tacoma Narrows Bridge opened?

The current five-year contract with TransCore was finalized in 2005; however, many changes to the bridge configuration and the behavior of toll payers changed during the two years before tolling actually commenced.

The bridge opened with many more customers opting to use electronic transponders (ETC) than was originally planned. The goal was to have at least 50 percent of morning commuters using the electronic toll lanes to ensure free-flowing traffic. On the first day of tolling, over 73 percent of morning commuters used the ETC lanes, and during the first six months of toll collection, that level reached over 85 percent. This single event was responsible for much higher costs than anticipated, since WSDOT is charged for each open account and each ETC transaction; but, it resulted in free-flow speeds across the bridge of 60 miles per hour all day long and crossing times during the peak commute periods unlike any seen in 20 years.

Was TransCore solely responsible for this? No, WSDOT, the citizen advisory committee and the Transportation Commission all worked together to ensure the success of the *Good To Go!* electronic toll collection program. Everyone involved wanted to make this new bridge and toll collection work. Motorists paying the toll and using the new bridge also did their part by signing up in record numbers. This led to the “perfect storm” of events that created an unprecedented success when the new bridge opened.

1. Let’s go back to 2005 when the planning for bridge opening and toll collection was being finalized.

- New bridge design and operation was much different at opening than originally planned.

Original plans for the bridge called for opening sometime in 2007 with two general purpose lanes and possibly an HOV lane. In addition, the old bridge was planned for extensive retrofit that would require it to be closed or partially closed, and westbound traffic rerouted to the new bridge, effectively making the new bridge temporarily operate as the old one did for years with only two general purpose lanes of opposing traffic in each direction. During 2006 and early 2007, substantial changes were made to the bridge design and operation. The end result was the four lanes on each bridge available today with no plan to move westbound traffic onto the new bridge. The result of this action was greatly increased capacity and free-flowing traffic.

- Twenty-fourth street ETC ramp was not part of the original planned bridge design.

This major traffic collector benefits local users by bypassing the main toll area and merging traffic downstream of the plaza. It was not designed or contracted in 2005. As a result, if the 24th St on-ramp had not been built, all the traffic now using that ramp would have been funneled back through Gig Harbor and onto the highway further upstream and past the toll plaza, thus, further adding to congestion in that area.

- The planned marketing campaign was still being discussed and finalized.

Some thought that no marketing would be needed to get customers to use transponders. However, the success of this \$800 million bridge hinged on keeping traffic flowing and that could only occur if sufficient numbers of drivers used the electronic lanes. Tolling experts from across the country urged an extensive marketing campaign to get customers to sign up for ETC and most doubted that Washington would be able to achieve its ambitious goal of having 50 percent of traffic using ETC on opening day. Both the *marketing*, making customers aware of the benefits, and the *distribution* of transponders were critical to ensure enough drivers would use ETC to pay the toll. Distribution of

transponders was a key part of the plan and became a contract incentive to get enough transponders out to the public before the bridge opened.

➤ All customers were expected to pay a three dollar toll.

All of the original forecasted toll rates at opening assumed all users -- both ETC and cash payers -- would pay the same amount, three dollars. This would have substantially decreased the incentive to use transponders and it led to a robust marketing outreach effort to tout the benefits of ETC, even without a discount. It was not until early 2007 that the Transportation Commission considered an ETC discount and not until after the 2007 legislative session ended in May that the Commission set the substantially discounted ETC toll rate of \$1.75. The *Good To Go!* marketing was well underway by that time and while many signed up prior to the announced discount, the floodgates truly opened with customers clamoring to sign up with the added incentive of a hefty discount.

2. As a result of all these factors that were the 2005 plan, that were later eclipsed by actual implementation, WSDOT staff negotiated and signed the TransCore operations contract with a substantial fee payable to TransCore for every transponder issued. The original 2005 estimate to distribute 25,000 transponders would have resulted in a \$375,000 fee, well within the planned budget. Even the 2007 contingency plan that called for the distribution of 50,000 transponders could have been covered by the budget.
3. What actually happened? During the first four months that transponders were offered, over 200,000 transponders were issued as a direct result of the \$1.75 discounted toll rate, an effective marketing campaign, free distribution of transponders to customers, and prompt fulfillment by TransCore. The “unattainable” goal of distributing 50,000 transponders had been far surpassed as drivers signed up in record numbers.
4. What could have been done differently to lessen the cost?
 - Once the discounted toll rate was set, WSDOT could have started charging customers for the actual cost of issuing transponders. Since distribution was already underway and the marketing campaign included the incentive of up to six free transponders, this would have made new customers angry that previous customers been issued “free” transponders and now “they” had to pay. In addition, due to the exceptional demand for transponders, TransCore was receiving almost weekly just-in-time delivery. Had WSDOT announced a date that transponders would no longer be “free” it’s likely that transponder supply would have run out and there would have been a backlog of demand. *Note: Due to the administrative code process, the toll rate actually became officially effective only seven days before the bridge opened.*
 - WSDOT could have immediately stopped the marketing campaign. However, advertising contracts were already in place and there would have been little savings. Again, this likely would have angered last-minute customers.
 - As a side note, when the toll rates were set in spring 2007, the toll exemptions were also set, requiring police and fire units, as well as transit vehicles, to pay the toll and have transponders to use the ETC lanes. This contributed to the high numbers of transponders distributed.
5. In summary, the new Tacoma Narrows Bridge opened with unparalleled levels of electronic toll usage. There were *five times more transponders distributed than the daily traffic count* -- something no other stand-alone toll facility in the nation has experienced. While costs were much higher than planned for the few months surrounding opening, the result was that the congestion problem was solved for customers that commute across the bridge on a regular basis. The question for TNB is, costs were higher than planned, was it worth it?

Comparative Analysis of Other Toll Facility Operational Costs with Projections for Tacoma Narrows Bridge

INTRODUCTION

When the new Tacoma Narrows Bridge opens in 2007, it will offer both electronic and manual toll collection. Toll customers who sign up for an Electronic Toll Collection (ETC) account will use a credit-card sized device, called a transponder, that affixes to the vehicle's windshield and is linked to a prepaid toll account. As the driver approaches the new span on eastbound SR 16, overhead antennas will read the transponder and record the transaction. In the "back office," computers will identify the associated prepaid account and deduct the correct toll.

Two Toll Collection Methods at TNB

Electronic

- Vehicle maintains speed while traveling along SR 16 "Express Lanes"
- Overhead antenna reads transponder mounted on windshield
- Toll deducted from prepaid account

Manual

- Driver pulls off main roadway to Toll Plaza
- Stop at Tollbooth
- Pay Attendant with Cash, Credit Card or Transit Smart Card
- Tollbooths also equipped to collect tolls electronically

Manual toll collection refers to the use of staffed tollbooths to collect tolls from drivers at a toll plaza. This was the standard means of collecting tolls before ETC and the only method of toll collection on all prior Washington facilities. Manual collection requires drivers to pull off the main road to stop and pay. The ETC system at Tacoma Narrows Bridge will help to keep traffic moving freely over the new bridge and save drivers time.

At TNB, an operations contractor will provide staff to manually collect tolls, operate the customer service center, process violations, and maintain the new electronic toll collection computer system. The Washington State Department of Transportation (WSDOT) will oversee the implementation of state toll policies, including toll rates set by the Transportation Commission. WSDOT's primary responsibilities will be to safeguard public funds by setting policies and procedures to ensure that the contractual obligations are met. In addition, WSDOT staff will manage public communications, including the Citizens Advisory Committee and serve as staff to assist the Commission in toll setting.

THE ISSUE OF "APPLES TO ORANGES"

As Tacoma Narrows will be the first toll facility in Washington to deploy ETC, WSDOT has compared the projected cost to operate the new system with toll collection costs at other contracted, ETC-equipped toll facilities across the country. No other toll facility is an exact "match" for comparison to Tacoma Narrows. There is a great range in the size and scope of toll facilities, toll rates, and how they are operated, including what expenses are considered "toll collection" costs and how the toll collection methods and practices affects these costs. These variations include:

- Size of Facility
- Type (road, tunnel, bridge) of Facility
- Percent of Electronic Toll Transactions
- Division of Responsibilities between Contractor(s) and Agency
- Number of Violations and Cost to Collect
- Availability of Automated ETC Customer Account Access via Internet and Telephone
- Variations in Facility Bond Covenants
- Variations in Accounting Practices at Different Agencies

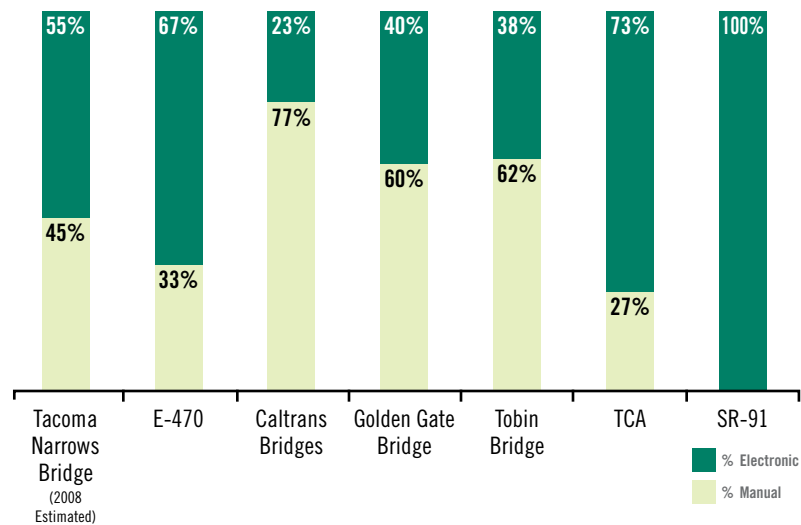


COMPARISON WITH OTHER TOLL FACILITIES

Figure 1 shows the percentage of manual and ETC transactions at facilities that share similarities with TNB. Driver usage of electronic toll collection is higher on commuter oriented facilities such as E-470 in Denver and Transportation Corridor Agencies (TCA) in Orange County, CA. SR 91 in Orange County only allows electronic toll collection. The mix of commuter and infrequent users is reflected in the California toll facilities and on the Tobin Bridge in Boston.

Figure 1: Percent of Electronic and Manual Toll Transactions

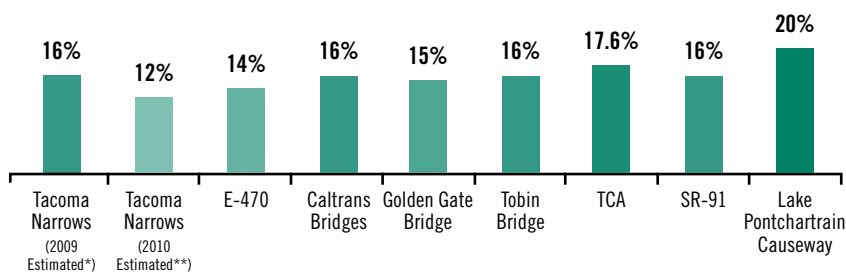
When comparing toll collection costs, it might be expected that those facilities with a higher ETC percentages would also have a lower overall cost. However, Figure 2 shows a fairly close range when comparing toll collection costs as a percentage of annual toll revenue. This highlights the impact of different toll collection practices and facility characteristics. For example, the seven Caltrans-operated bridges in the San Francisco Bay Area are operationally very different from the Tobin Bridge in Boston. But the toll



collections cost percentages are quite close. The Caltrans bridges have heavy traffic, high toll rates, and a lower percentage of ETC use, whereas the Tobin Bridge is a smaller operation with moderate ETC use. Tobin Bridge uses gated toll lanes, effectively eliminating violations and the associated collection costs. SR 91 in

Figure 2: Toll Collection Operating Cost as a Percent of Annual Toll Revenue

*2009 Estimate for TNB includes \$1 discount on ETC transactions **2010 Estimate includes \$1 toll increase to \$4



Orange County is a 100%-ETC facility (no toll booths), yet the high rate of violations erodes the operational cost savings that might otherwise be seen. The slight increase in toll collection cost for the Transportation Corridor Agencies (TCA) in Orange County is due to its large size and many manual toll collection points.

CONCLUSIONS

Overall, this exercise has confirmed the difficulties of comparing operational costs for vastly different facilities that may only share the single common characteristic of tolls. However, the estimated toll collection costs for Tacoma Narrows Bridge are within the industry range for such costs, particularly considering the relatively small size of the facility. The toll rate increase that is planned to occur in 2010 will further offset the operational costs.

